

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: February 1, 2011

Monthly General Fund Receipts through January 31, 2011

The spreadsheet at the end of this document presents FY 2011 General Fund total net receipts with comparable figures for actual FY 2010. The figures can be compared to the FY 2011 estimate of \$5.710 billion set by the Revenue Estimating Conference (REC) on December 6, 2010. The FY 2011 projection is an estimated increase of \$216.8 million (3.9%) compared to actual FY 2010 total net receipts (excludes transfers). A date for the next REC meeting has not been set.

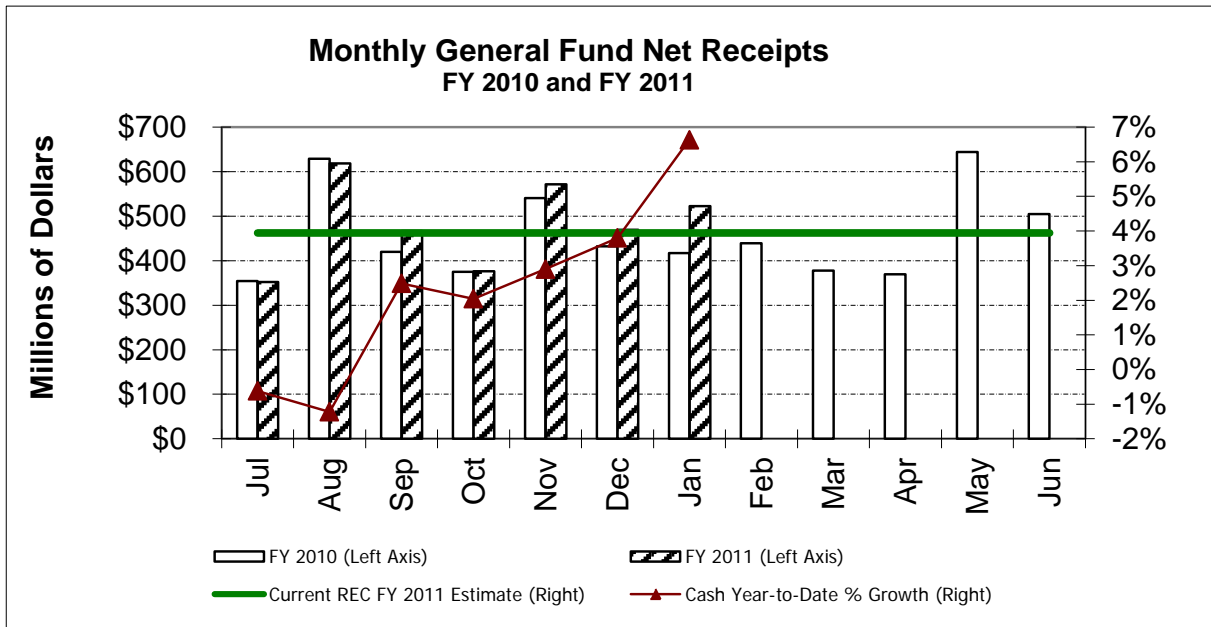
FY 2011 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 3.95%						
Year-to- Date Ending:	Year-to- Date FY 2010	Year-to- Date FY 2011	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,777.6	\$1,813.9	\$36.3	2.0%	\$70.2	-\$33.9
Nov	2,318.6	2,385.7	67.1	2.9%	91.5	-24.4
Dec	2,751.0	2,855.6	104.6	3.8%	108.6	-4.0
Jan	3,168.1	3,378.1	210.0	6.6%	125.0	85.0
Feb	3,607.6					
Mar	3,985.2					
Apr	4,354.7					
May	4,999.0					
Jun	5,504.0					
Year end	5,492.8					

FY 2011 Compared to FY 2010

Year-to-date FY 2011 total net receipts (excluding transfers) increased \$210.0 million (6.6%) compared to FY 2010. The year-to-date revenue change remains impacted by the racing and gaming receipt deposit timing issue discussed in the Other Receipts section below. Without this issue, net receipts would show an increase of approximately 6.8% year-to-date. Major revenue sources and their contribution to the FY 2011 change include:

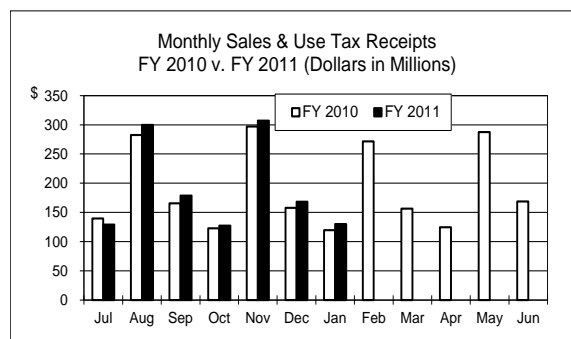
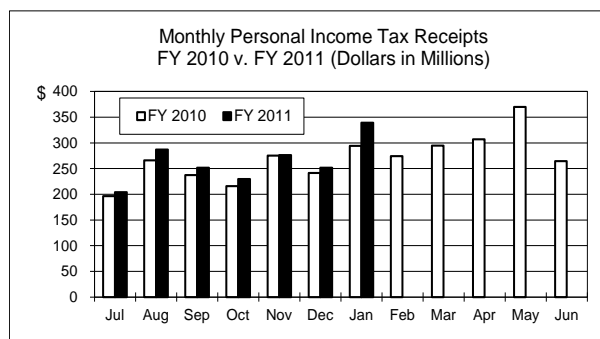
- Personal income tax (positive \$112.9 million, 6.5%)
- Sales/use tax (positive \$55.9 million, 4.4%)

- Corporate tax (positive \$0.6 million, 0.3%)
- Other taxes (positive \$9.1 million, 3.8%)
- Other receipts (negative \$15.0 million, - 6.8%)
- Tax refunds not including school infrastructure refunds (positive \$49.7 million)
- School infrastructure sales/use tax refunds (negative \$3.0 million)



Personal Income Tax revenues received in January totaled \$339.0 million, an increase of \$44.9 million (15.3%) compared to January 2010.

The FY 2011 REC income tax estimate of \$3.361 billion represents a projected increase of 3.9% compared to actual FY 2010. Through January, total income tax receipts increased 6.5%. By subcategory, withholding payments increased \$87.5 million (6.0%), estimate payments increased \$16.3 million (7.6%), and payments with returns increased \$9.1 million (20.0%). The following chart compares FY 2011 monthly income tax receipts with FY 2010.



Sales/Use Tax receipts received in January totaled \$130.0 million, an increase of \$10.5 million (8.8%) compared to January 2010.

The REC estimate for FY 2011 sales/use tax receipts is \$2.370 billion, an increase of 3.3% compared to actual FY 2010. Through January, sales/use tax receipts increased 4.4%. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

Corporate Income Tax receipts received in January totaled \$30.7 million, an increase of \$6.1 million (24.8%) compared to January 2010.

The REC estimate for FY 2011 corporate tax revenue is \$411.9 million, an increase of 5.8% compared to actual FY 2010. Through January, corporate income tax receipts increased 0.3%.

Other tax receipts received in January totaled \$30.0 million, an increase of \$6.2 million (26.1%) compared to January 2010. Decreases in inheritance tax and beer tax receipts was more than offset by increases in cigarette, tobacco, and franchise tax revenue.

The REC estimate for FY 2011 other tax revenue is \$444.7 million, an increase of 2.5% compared to actual FY 2010. Through January, other tax receipts increased 3.8%.

Other receipts (non-tax receipts) received in January totaled \$43.0 million, an increase of \$21.8 million (102.8%) compared to January 2010. As a result of recent legislation, \$66.0 million in racing and gaming revenue is being deposited to the General Fund later in the fiscal year than was the case previous to FY 2011. These receipts have begun to be deposited in the General Fund and resulted in an increase in January racing and gaming revenue of \$21.1 million compared to last January. Since the \$66.0 million annual limit has not been reached, the year-to-date impact on General Fund racing and gaming receipts is negative \$4.3 million through January. The full \$66.0 million in racing and gaming receipts will be deposited in the General Fund by early February.

The REC estimate for FY 2011 other receipts revenue is \$330.0 million, a decrease of 8.2% compared to actual FY 2010. Through January, other receipts decreased 6.8%.

Tax Refunds issued in January totaled \$19.2 million, a decrease of \$11.0 million (- 36.4%) compared to January 2010. Cash year-to-date, regular tax refunds decreased \$49.7 million.

Status of the Economy

Iowa nonfarm employment was reported at 1,488,100 for the month of December (not seasonally adjusted), 15,100 higher (1.0%) than December 2009.

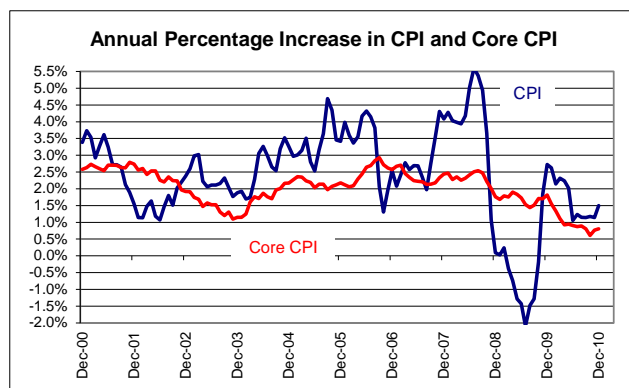
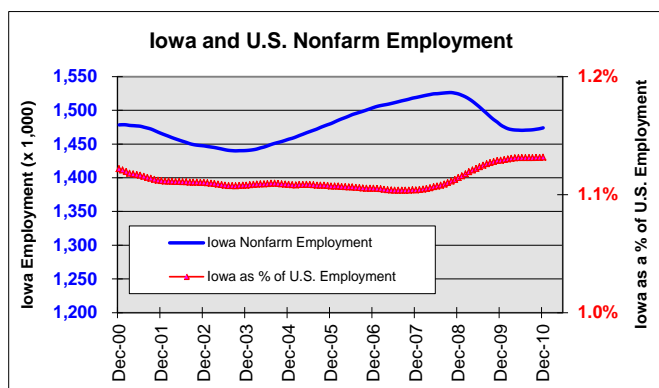
Iowa's 12-month average employment is presented as a blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, 47,700 above the peak (January 2001) prior to the previous recession. The current 12-month average reading is now 1,474,100, resulting in an annual average Iowa nonfarm employment level 52,300 below the October 2008 peak and 4,700 below the January 2001 peak. This situation is not unique to Iowa, as current U.S. nonfarm employment is also below the peak experienced prior to the 2001 U.S. recession.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment as a red line. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment has been improving since the start of the recession in

December 2007; however, the improvement has moderated considerably over the past nine months.

The Consumer Price Index (CPI-U) through December 2010 was 219.2 (1983/84=100). Consumer prices increased 0.2% in December (not seasonally adjusted) and the annual rate of inflation now stands at 1.5%. The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months.

Core CPI, an inflation measure excluding food and energy expenditures, decreased slightly in December and totals 0.8%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% since December 2008. For the two components excluded from the core rate, energy prices are up 7.7% year-over-year while food prices are up 1.5%.



Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 10 Actual Compared to FY 11 REC Estimate		
	FY 2010	FY 2011	Year to Date % Change	January % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 1,726.0	\$ 1,838.9	6.5%	15.3%	\$ 3,235.9	\$ 3,360.7	3.9%
Sales/Use Tax	1,284.5	1,340.4	4.4%	8.8%	2,293.0	2,369.5	3.3%
Corporate Income Tax	188.5	189.1	0.3%	24.8%	389.3	411.9	5.8%
Inheritance Tax	43.6	39.5	-9.4%	-26.4%	67.4	69.4	3.0%
Insurance Premium Tax	40.2	49.7	23.6%	200.0%	88.6	98.4	11.1%
Cigarette Tax	119.1	116.1	-2.5%	17.8%	206.1	203.0	-1.5%
Tobacco Tax	14.9	16.5	10.7%	105.6%	26.0	27.2	4.6%
Beer Tax	8.9	9.0	1.1%	-38.5%	14.4	14.7	2.1%
Franchise Tax	16.0	19.5	21.9%	200.0%	31.6	31.0	-1.9%
Miscellaneous Tax	-1.1	0.4	136.4%	0.0%	-0.4	1.0	0.0%
Total Gross Taxes	\$ 3,440.7	\$ 3,619.2	5.2%	14.7%	\$ 6,352.0	\$ 6,586.8	3.7%
Institutional Payments	7.7	5.4	-29.9%	-42.9%	14.8	15.2	2.7%
Liquor Profits	48.4	53.4	10.3%	-1.6%	80.3	83.7	4.2%
Interest	1.3	2.3	76.9%	100.0%	4.0	2.0	-50.0%
Fees	22.4	17.2	-23.2%	111.8%	47.8	24.6	-48.5%
Judicial Revenue	58.3	47.9	-17.8%	-12.7%	108.6	101.6	-6.4%
Miscellaneous Receipts	16.1	17.3	7.5%	14.3%	37.8	36.9	-2.4%
Racing and Gaming Receipts	66.0	61.7	-6.5%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,660.9	\$ 3,824.3	4.5%	18.5%	\$ 6,711.4	\$ 6,916.8	3.1%
Accrued Revenue-Net					13.1	13.9	
Tax Refunds *	-270.5	-220.8	-18.4%	-36.4%	-859.1	-826.0	-3.9%
School Infrast. Refunds *	-222.3	-225.3	1.3%	-14.4%	-372.5	-395.0	6.0%
TOTAL NET RECEIPTS	\$ 3,168.1	\$ 3,378.1	6.6%	25.3%	\$ 5,492.9	\$ 5,709.7	3.9%
<p>The Actual FY 2010 column is now final.</p> <p>* For FY 2010 and FY 2011 Year-to-Date columns, refunds are presented on a cash basis. For FY 2010 Actual and FY 2011 Estimate, refunds are presented on a fiscal year basis.</p>							